

VZCZCXRO2034  
RR RUEHCN RUEHGH  
DE RUEHGH #0335/01 1520309  
ZNY CCCCC ZZH  
R 010309Z JUN 07  
FM AMCONSUL SHANGHAI  
TO RUEHC/SECSTATE WASHDC 5899  
INFO RUEHBJ/AMEMBASSY BEIJING 1154  
RUEHCN/AMCONSUL CHENGDU 0708  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHGZ/AMCONSUL GUANGZHOU 0688  
RUEHHK/AMCONSUL HONG KONG 0816  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC  
RUEHSH/AMCONSUL SHENYANG 0710  
RUEHIN/AIT TAIPEI 0580  
RUEHGH/AMCONSUL SHANGHAI 6306

C O N F I D E N T I A L SECTION 01 OF 04 SHANGHAI 000335

SIPDIS

SIPDIS

DEPT FOR EAP/CM  
NSC FOR WILDER AND TONG  
STATE PASS FOR USTR STRATFORD, WINTER, MCCARTIN, ALTBACH, READE  
TREAS FOR AMB HOLMER, WRIGHT, TSMITH  
TREAS FOR OASIA - DOHNER/HAARSAGER/CUSHMAN  
USDOC FOR ITA/MAC - DAS KASOFF, MELCHER, MCQUEEN

E.O. 12958: DECL: 6/1/2017  
TAGS: [PREL](#) [ECON](#) [CH](#) [TW](#) [XA](#) [XK](#) [XR](#) [XD](#)  
SUBJECT: SHANGHAI INSTITUTE FOR INTERNATIONAL STUDIES VIEWS ON  
U.S.-CHINA, IRAN, AFRICA, LATIN AMERICA AND CENTRAL ASIA.

CLASSIFIED BY: Kenneth Jarrett, Consul General, , U.S.  
Consulate Shanghai.  
REASON: 1.4 (b), (d)

¶1. (C) Summary. During a May 29 luncheon with the Consul General, Shanghai Institute For International Studies (SIIS) Vice President Yang Jiemian said China would be responsive to U.S. requests conveyed via the Strategic Economic Dialogue (SED) process. He predicted that China would gradually take more measures to open its capitol markets and improve the RMB exchange rate. Yang described his January trip to Iran and reported that while one part of Iran's international strategy was to create a parallel international system, Iran also wanted to share power with the United States in the Persian Gulf. SIIS academics also discussed Latin America, Africa, and Central Asia. (FYI: Yang Jiemian is the brother Foreign Minister Yang Jiechi.) End Summary.

¶2. (C) On May 29, the Consul General hosted a lunch for SIIS Vice President Yang Jiemian. Yang was accompanied by SIIS Department of American Studies Director Chen Dongxiao, SIIS Department of South Asia Studies Ms. Shao Yuqun and Office of Research Management and International Exchanges Director Ms. Wang Lei. Deputy Principal Officer, Pol/Econ Chief and Poloff also attended the luncheon.

SED: More Measures Forthcoming  
-----

¶3. (C) SIIS VP Yang admitted that Chinese press were being overly positive about the SED by calling it a "complete success." He blamed this on translations problems and said that it was more accurate to call the talks a "great success." He assured the Consul General that the Chinese government was paying a great deal of attention to the SED talks and had been responsive to some of the U.S. demands and in the future would gradually takes steps to open China's capital markets and liberalize the RMB exchange rate. Vice Premier Wu Yi's role as head of the Chinese SED delegation showed that China was

committed to the talks. He noted that China might not do anything immediately after this latest round of talks, but as long as Wu Yi was in the "driver's seat", China would be responsive to U.S. demands. Wu Yi would likely head the Chinese delegations during the next round of SED talks in December, but it was unclear whether she would be the head of delegation for the Spring round of talks. Wu Yi, at 69 years of age, was close to the mandatory retirement age of 70 and she might retire at the National Party Congress in March 2008. Nevertheless, Wu Yi would still be active on economic issues. In terms of whether momentum on the talks could be sustained, Yang said that having so many ministers involved in the first two rounds of the SED was important. He expected that overtime the talks would evolve into smaller scale focused talks. The Consul General noted Wu Yi's editorial that appeared in the Wall Street Journal shortly before the talks. (Note: Some believe that Yang was the author of the editorial. End Note.) He asked whether an editorial from Secretary Paulson could be published in the People's Daily

SIPDIS

before the next round of talks. Yang responded positively, but noted that this would require coordination in advance, particularly with the State Council Information Office.

14. (C) Yang hoped that U.S. disappointment over inadequate results at the SED would not be used as an excuse for a trade war. A stable, predictable U.S.-China relationship was in everyone's interest. There would be two opportunities for President Bush and President Hu to meet before next fall's 17th Party Congress; on the margins of the G8 meeting in Germany in June and during the September APEC meeting in Australia. China was busy making preparations for these meetings. Yang believed that the next two years would be the most important years for the U.S.-China relationship and urged that more be done to stabilize the relationship and make visible progress. According to Yang, the relationship had two aspects. On the one hand, both sides were trying to promote cooperation. On the other

SHANGHAI 00000335 002 OF 004

hand, both sides were able to air their differences. He was pleased that the latter aspect was of secondary importance. He added that China would like to isolate difficult issues to prevent them from spilling over onto other issues. For example, the Chinese government greatly appreciated the USG's opposition to Taiwan's bid to join the WHO as a sovereign state. While it did not appreciate the U.S. Department of Defense's Annual Report to Congress on the Military Power of the People's Republic of China, it appreciated that the report had been issued after Wu Yi's visit.

15. (C) Yang acknowledged that China did not react well when the United States brought cases against it to the WTO, in part due to cultural reasons. He said in China, friends never go to court. This attitude was changing but slowly. He suggested that the United States use "back channels" and empower a credible figure such as Henry Kissinger to communicate U.S. intentions and goodwill to Chinese leaders. He recognized that some USG officials were tired of Dr. Kissinger being involved but stressed that he was well-liked in China. The United States should emphasize to Chinese leaders that it was normal for countries to go to court against one another. The USG should also clearly tell Chinese leaders what the disadvantages would be if the United States did not take cases to the WTO.

16. (C) When asked whether Beijing was pleased by the SED results, Yang said that in negotiations one could never be satisfied. Beijing was very focused on getting more high technology, especially high technology related to energy efficiency. He noted that Premier Wen Jiabao also recently complained that China had too many foreign reserves and there was a great need to develop more expertise on financial management issues.

Iran: Great Ambitions

-----

17. (C) Yang reported that he had visited Iran and Saudi Arabia in January. It was clear from his visit to Iran that the country's leaders were very ambitious. Interlocutors emphasized Iran's 7000 year old history and glorious past numerous times during his trip. Yang said that Iran had three international strategies. First, Iran wanted to build an international system outside of the existing one, which it believed was dominated by the United States and Western Europe. It wanted to use the Shanghai Cooperation Organization (SCO) as a means to develop its own internal trading system and market. Iranian interlocutors urged that China join this system, noting that the United States was not reliable and was always using sanctions. Yang told his interlocutors that Stalin tried to create a similar system in the 1950's, which failed. China was not interested in another system and was already fully integrated in the international system and market.

18. (C) Second, Iran wanted a regional framework in the Persian Gulf in which Iran shared leadership in the region with the United States. It did not want to share power with other countries and only wanted to talk to the United States. This was a factor in Iran's agreement to have talks with the United States. Finally, Iran had a complicated relationship with Arab countries. Iranian interlocutors emphasized to Yang that Persians and Arabs did not mix. Iran had never forgiven Arab countries for supporting Iraq during the Iran-Iraq war and was happy when Saddam Hussein was deposed. Yang added that many young people and elites in Iran still had good feelings toward the United States. He urged that the United States think strategically about the Persian Gulf and noted that Iran and Iraq were the two pillars of the Arab world. Increased dialogue would ease tensions in the region.

Africa: The China Alternative?  
-----

19. (C) SIIS Department of American Studies Director Chen Dongxiao briefed the group on his recent trips to Ethiopia, South Africa, Brazil, Argentina and Mexico. According to Chen,

SHANGHAI 00000335 003 OF 004

his interlocutors in Africa had ambivalent attitudes towards the continent's relationship with developed countries. These countries were pleased that countries such as China, India and South Korea were playing a more active role in Africa. Interlocutors believed that competition between diverse actors in Africa was much better than domination by one country or one type of power. However, African countries were still mentally and culturally dependent on European powers. In addition, their economic relationship with European countries remained strong. He noted that some African scholars were unhappy with how Western countries made human rights, rule of law and other political issues pre-conditions for economic assistance. However, other African scholars complained that Chinese assistance often did not include any pre-conditions or were condition neutral. They worried that this would prevent economic assistance from being used properly.

110. (C) According to Chen, many African scholars were critical of the United States decision to create an African Command in the U.S. military. African interlocutors noted that this decision was made without prior consultation and believed it was motivated by U.S. desires to prevent China's influence from undermining U.S. interests in Africa. He added some interlocutors hoped that China's presence in Africa would marginalize Western influence, a position he said he did not share. They believed that African countries could play China off of the United States and the European Union and that China could be an alternative to the West. Chen added that this was unlikely to happen. According to Chen, the biggest challenge for the African continent was that it still did not know what it really wanted from its relationship with China. There was no agreement on objectives and on whether African nations should work together under the African Union or break up into regional groups in their discussions with China.

## Latin America: Political Infighting

---

¶11. (C) According to Chen, the Latin American countries he visited all faced the same challenge of how to compete with big powers such as the United States. However, these countries were not able to focus on this issue because of political infighting. Neither Mexico nor Brazil had strong central governments. There were also disagreements about regional cooperation. Argentina favored relying on Mercosur. Brazil advocated keeping a balance between Mercosur and having a relationship with the United States. Mexican scholars were concerned about whether Mexico's overdependence on the United States would be economically sustainable and they were looking to countries such as China and Japan to diversify their economy.

## Central Asia: U.S., China, Russia Dialogue Needed

---

¶12. (C) SIIS Department of South Asia Studies Deputy Director Shao Yuqun discussed China's relationship with Central Asia. According to Shao, the United States' relationship with Central Asian countries had shifted. The "honeymoon" was over and the United States appeared to have backed off on pushing democracy in the region. This was due to the realization that the "Tulip Revolution" in Kyrgyzstan did not have the influence that the United States had hoped on other countries in Central Asia. The United States had also improved its relationship with India and was urging more integration between South Asia and Central Asia. She had recently visited India and Pakistan and many of the scholars with whom she met expressed reservations about the re-organization in the Department of State in which the Central Asian states were moved to the South Asian regional bureau. Pakistani scholars were upset that the United States had embarked on this regional initiative without consulting Pakistan. South Asian academics believed that integration was not possible as long as Afghanistan remained unstable. She said the United States should not underestimate the role of China and Russia in the region and urged that there be more discussions between Russia, China and the United States on Central Asia.

SHANGHAI 00000335 004 OF 004

## SIIS Programs

---

¶13. (SBU) Office of Research Management and International Exchanges Director Wang Lei provide a brief overview of SIIS programs. She said that SIIS had around 18 programs with international think-tanks and universities every year. It organized a similar number of programs for internal think-tanks. Yang added that SIIS in cooperation with the James Baker Institute at Rice University would hold a conference on Energy Security in Beijing in the fall. SIIS also had an active exchange with Brookings, which wanted to establish an office in Shanghai. Yang added that he was going to participate in a conference on China organized by Texas A&M. He said that the conference would be called the "Bush Summit on China" rather than the "George H. W. Bush Summit" so that in the future President Bush could also equally participate after he left the White House.

## Comment

---

¶14. (C) Yang's fortunes appear to be on the rise. SIIS President Ms. Yu Xintian is scheduled to retire this year and many have speculated that Yang would take over as President. In addition, the appointment of Yang's brother Yang Jiechi as Minister of Foreign Affairs should tighten SIIS's relationship with the MFA and put SIIS in good position for any MFA programs in Shanghai. Yang seemed to be more relaxed during this discussion than in previous meetings with Consulate officers. In the past, Yang controlled the discussion and his staff was very deferential to him and did not contribute much to the conversation. During this meeting, his staff was still

differential and waited to be prompted, but Yang ensured that they each had a chance to speak.

JARRETT